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ABSTRACT

An evaluation examined how the Danish leave schemes, an offer to employed and unemployed persons who qualify for unemployment benefits, were functioning and to what extent the objectives have been achieved. It was found that 60 percent of those taking leave had previously been unemployed; women accounted for two-thirds of those joining the scheme; and it was used frequently by employed persons who had formal vocational education/training. Employers concluded training leave agreements primarily with exceptionally competent and motivated employees. For nearly half who took leave, the principal objective was to improve qualifications and skills used in their present jobs and personal development. The great majority of employees who had been on leave were satisfied. Since a condition for parental leave was having a child under the age of nine, most persons who took it were younger than those who took training leave and were women. Most wanted to spend more time with their children; 80 percent suffered an economic loss by taking leave. A significant number of such leaves were longer than the statutory period. A substitute was recruited in 63-73 percent of the cases. Many substitutes appeared to belong to a permanent pool of temporary workers. Parental leave schemes led to a reduced demand for municipal child care facilities. Leave schemes led to a significant immediate decline in unemployment. A future positive effect could be job rotation; a negative impact would be "mismatch problems" where case workers with no or only a short preceedings unemployment periods behind them use the leave schemes. (YLB)

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EVALUATION OF THE DANISH LEAVE SCHEMES

SUMMARY OF A REPORT BY
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Evaluation of the Danish Leave Schemes

- summary of a report by

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Introduction

This report includes an evaluation of the leave schemes which were introduced in connection with the labour market reform on 1 January 1994. The schemes have been very popular. For the period up to April 1996 nearly 148,000 persons have been granted parental leave, 147,000 persons training leave and a little more than 16,000 persons sabbatical leave.

The schemes have a number of different objectives, both in relation to the labour market and in relation to the individual. The labour market objective is to reduce unemployment by making it possible for unemployed persons to replace employees who are temporarily absent on leave, including in connection with job rotation schemes. This gives them the opportunity to obtain work experience and enhances their chances of finding permanent employment. The training leave scheme aims broadly at improving the skills and qualifications of the labour force, and thus increasing productivity, flexibility and employment. At the individual level, the aim is to make it possible for persons on the labour market, including families with small children, to obtain a better quality of life.

The evaluation falls into four parts which - in different ways - illustrate how the schemes are functioning and to what extent the objectives have been achieved. The first two parts primarily describe the experience of, respectively, employees and enterprises with training and parental leave. The last two parts deal with the municipal authorities and the parental leave scheme and the broad economic effects of the schemes.

The **part on individuals** illustrate employees use of training and parental leave and the number of persons taking leave. In the late spring of 1995, 670 and 807 employees who had returned from, respectively, training and parental leave within the first 3 months of 1995 completed a questionnaire on their views on and experience with these schemes. The reply rate was 67 and 80 per cent, respectively. The number of persons joining these schemes is illustrated by means of registered data on all persons who have been on leave during the period 1.1.94-30.41995.

The **part on enterprises** examines how the enterprises look upon their employees' use of training and parental leave. In May 1995 a survey study was undertaken among enterprises in which one or several employees had completed training or parental leave during the first 4 months of 1995. The total number of enterprises with employees on leave is illustrated by means of register data.

The study further included a **part on the municipal authorities.** This part describes how the municipal authorities administer the parental leave scheme (including the municipal subsidy to persons on parental leave) and the impact of this scheme on the system of child care facilities. In April 1995 a survey study was undertaken comprising all municipalities in Denmark. Replies have been received from 262 of them.

Finally, the evaluation comprises a **macro-economic study** of the impact of the leave schemes on employment and unemployment. This part has been described in Pedersen (1996). The main results are described in the end of this chapter.

Training leave

Training leave is an offer to employed and unemployed persons above the age of 25 years who are members of an unemployment insurance fund and who qualify for unemployment benefits. In relation to employed persons it is also a requirement that they have been employed for 3 years within the last 5 years. The training leave benefit corresponds to the maximum rate of unemployment benefits (DKK 11,200 per month for full-time insured members). The duration of the leave may be from one week to one year. In relation to employees it is a condition that the employer agrees to the leave.

Who take training leave?

Register data concerning the period 1.1.1994-30.4.1995 show that 60 per cent of those taking training leave had previously been unemployed. About 30 per cent of all members of unemployment insurance funds are affected by unemployment in the course of a year, and this means that more unemployed persons than other groups tend to take training leave. Employed persons who take training leave are virtually all working as employees. Very few self-employed persons use this scheme.

Women account for two thirds of those joining the scheme. More than half are under the age of 40 years, more than 85 per cent under the age of 50 years; the training leave scheme is thus used more by younger persons than by older persons.

Employed persons who take leave have virtually not (86 per cent) been affected by unemployment during the two calendar years preceding the year of the start of the leave period. Some of the explanation for this is the above-mentioned employment requirement. On the other hand, a little more than half of the unemployed who take leave have been unemployed for 10 months or more during the last two years preceding the leave, but there is also a big group with a rather short unemployment period. There are thus major differences among the users of the training leave scheme as regards their previous labour market attachment.

There are also significant variation among different unemployment insurance funds as regards the take-up rates. The biggest share of those who have taken leave from employment are members of unemployment insurance funds in the fields of public employees, social workers, public servants/tele-services, teachers, kindergarten and youth club teachers and nurses. The share is lower among for instance female workers, office and shop assistants, semi-skilled workers and metal workers.

Only about 1/5 of the employees who take training leave have no formal vocational training background. The corresponding share of the total labour force in employment over the age of 25 years is nearly 40 per cent. This means that training leave is used frequently by employed persons who have already undergone formal vocational education/training than by others. However, persons who

have completed higher education do not seem to be overrepresented among employed persons who take leave.

A little more than 60 per cent of the employed persons who take leave are employed in the public sector, while public sector employees constitute only about 1/3 of all employees.

The enterprises' characterization of employees who take leave. The enterprises were asked to characterize the employees who had been on training leave. The replies seem to indicate that the enterprises mainly conclude training leave agreements with employees who are exceptionally competent and motivated, according to the characterization of the employees. According to the evaluation of the enterprises it is typically not employees to whom the work does not matter much or who can easily be dispensed with - on the contrary, the study seems to indicate that it is a matter of highly appreciated employees whom the enterprises want to maintain at the workplace.

How long it the duration of the training leave and what kind of training is chosen? The average duration of training leave for employed persons is a little more than 4 months, while unemployed persons take leave for a little more than 7 months. Employees in the private sector tend to have shorter periods of leave than public sector employees. Furthermore, men typically have shorter periods of leave than women.

On the whole, there is a trend in the direction of longer leave periods for those groups who use this scheme most frequently. On the basis of both criteria, the use of training leave is, for instance, more extensive among unemployed persons (than employees), among women (than men), among younger persons (than older) and among employees in the public sector (than employees in the private sector).

According the registered data, there seems to be no difference as to the main categories of education/training chosen by unemployed persons and persons in employment. More than 40 per cent have chosen education/training in the category "general courses, etc.". The survey study among employed persons has examined, in greater detail, the type of education/training for which leave is taken. Nearly one third take leave to participate in a course in the field of social and health care. There is also nearly 1/3 who

participate in training programmes at vocational training centres and vocational education schools. The rest includes primarily general subjects and courses in the field of higher education, etc. The questionnaire survey thus seems to indicate that persons in employment typically follow courses/training programmes which target specifically on their job functions.

What is the motive for taking leave? Nearly half of the persons in employment who take leave state that the principal objective of the leave was to improve their qualifications in their present job. Nearly 30 per cent indicate "personal development" as the main objective. A somewhat smaller share indicate that the objective was primarily to strengthen, respectively, their vocational skills well as their general qualifications. The main objective is thus frequently stated to be related to a specific job function.

But for many people there is no contradiction between acquiring qualifications and skills which can be used in their present job and their personal development. Directly questioned about these motives more than 70 per cent state that they each played an important or very important role for their decision to take leave. The two above-mentioned motives were pointed to as the two most important of a number of motives listed. Although the qualifications and skills acquired can frequently be used also at other workplaces, only 1/6 indicated that the wish to change job had played a role in connection with their wish to take training leave. 1/4 indicated as (supplementary) motive that (leave for) training was necessary for them in order to continue in their present jobs.

The initiative to training leave. Half of those who took leave stated that they had themselves taken the initiative. 1/4 stated that it was a joint decision with the management, while the rest mainly did it at the request of the management. It was, in particular, in connection with longer periods of leave that the initiative had come from the employees themselves.

Training leave may be taken by an individual employee in an enterprise or by a group of employees together. More than half of the persons in employment who had taken leave stated that they were on leave with colleagues from the same workplace and that these colleagues participated in the same course. Training leave thus often takes the form of an organised activity in the workplace. This is

especially the case in connection with job rotation projects. 12 per cent of the employed persons who had taken leave stated that their leave was an element of a job rotation project.

Costs and experienced benefits. A little more than half of the employed persons on leave received their normal wages during the leave period. Enterprises most frequently pay the full wage when the leave is taken at their initiative. Only about 1/3 of those who had themselves taken the initiative to take leave received their full wage from the employer. A little less than half of all employed persons on leave stated that they had - as a whole - suffered an economic loss during the period of leave. For this group the loss of income during the leave period on average amounted to DKK 21,000 or DKK 3,600 per month. As the question was explicitly formulated as "the total loss", the figures mentioned must be assumed to express the reduced consumption possibilities as a result of the leave.

The employees who had been on leave were asked to evaluate the benefits from taking training leave. Generally, the great majority were satisfied. Only 5 per cent state to be dissatisfied. Nearly 90 per cent would take leave again, if they had to make the choice again. The degree of satisfaction is highest in those cases where the employee has himself taken the initiative to the leave and where the decision was taken jointly by the employee and the management. But there is also a high degree of satisfaction in those cases where the initiative came mainly from the employer. The study points to the fact that it may in some cases be difficult to reconcile the wishes of the employee and the employer as regards the leave period.

The satisfaction depends upon both the professional and the personal development which, respectively, 75 and 80 per cent feel that they have experienced as a result of the leave. 71 per cent state that they can use their new qualifications at their present workplace. But nearly the same number of persons state that the new qualifications can also be used at another workplace. This again seems to indicate that the training programmes typically are job-oriented. But they are not typically enterprise-specific.

1/4 stated that the training leave had meant that they had been given more interesting work functions. A little more than 1/3 found that they had a higher degree of job security and more than

half of them thought that they had improved their chances of obtaining employment in a new enterprise. About 1/4 state that they expect to obtain higher wages in the future due to their participation in the course/training. When evaluating these data, it should be borne in mind that they have been collected a relatively short time after the expiry of the leave period.

Based upon the participants' own statements the study thus seems to indicate rather clearly that the benefits have been positive - both at the personal level and at the professional level. About half of them have "paid for" this in the form of reduced consumption possibilities during the leave period, cf. above.

The enterprises and training leave

Training leave is, as a starting point, a scheme oriented towards individual persons. It is the individual person who has to apply for leave, but the acceptance of the enterprise is required.

This means that the enterprises may lay down certain requirements as a condition for obtaining leave. Only few persons (1/6) of the persons who had taken leave indicated that it had been a requirement on the part of the enterprise that the training should be specifically targeted on the needs of the enterprise. The explanation may be that many employees will "of their own free will" choose training programmes which are also relevant for the enterprise. But more enterprises made it a condition for granting leave, that it would be possible to recruit a qualified substitute during the leave period.

In many cases the situation is that the training leave of the employees supplements or forms part of the ordinary training activities of the enterprise. About half of the enterprises stated that the employees who had been on training leave were especially employees whom the enterprises found to have a need for further training. Directly questioned half of the private enterprises and more than 3/4 of the public enterprises state that the training leave can be used as an element of the continued training activities of the enterprises.

Many enterprises seem to be prepared to conclude leave agreements although it may, in the short perspective, be inconvenient for the enterprise and although the training programme may not be directly targeted on the needs which the enterprises give a high priority.

In such cases the agreement on training leave may be seen as a sort of fringe benefit which may contribute to maintaining and motivating good workers. The majority of the undertakings (70 per cent) agree to the statement that their employees are better workers when they return to work after training leave.

Questioned about the most recent leave period 60 per cent of private enterprises and 76 per cent of public employers state that the leave will, in the longer perspective, benefit the enterprise. The evaluations are particularly positive if the leave forms part of a job rotation project and when several persons take leave at the same time. More than 85 per cent of the public enterprises and 70 per cent of the private enterprises state that they are willing to conclude new agreements on training leave. Most of the remaining enterprises have doubts.

Although the training leave is a scheme which is oriented towards individual persons, it is at the same time a scheme which does also to a wide extent meet the needs of the enterprises. However, this conclusion seems to be more valid for public than for private enterprisers. The study seems to indicate that training leave may be one of the instruments used by the enterprises in their continued training activities and partly used as a personnel policy instrument to motivate and maintain good workers.

When evaluating these conclusions it should be borne in mind that they are based on replies given by enterprises which have actually concluded one or several agreements concerning training leave. These enterprises form a modest part of all workplaces in Denmark.

Parental leave

Parental leave is a possibility which may be taken up by parents with children in the age group 0-8 years. The leave may have a duration of between 13 and 52 weeks. Employed persons must qualify for benefits in connection with sickness and maternity. Unemployed persons must qualify for unemployment benefits or social assistance. Employees and unemployed persons are entitled to parental leave for 13 weeks; 26 weeks if the child is under 1 year old. Employees may agree on further periods of leave with their employer. Until November 1994 the parental leave benefit was 80 per cent of the maximum rate of unemployment benefit, and from that date 70 per cent. The municipal authorities may grant a subsidy to persons taking parental leave of up to a maximum of DKK 35,000 per year.

Who take parental leave and for how long? As it is a condition for taking parental leave that you have a child under the age of 9 years, it is not surprising that the persons who take parental leave are younger than persons who take training leave. The parental leave is primarily taken by women (90 per cent) and in nearly half of the cases it is taken by women in continuation of their maternity leave. The few men who take parental most often do so after the child is 1 year old and typically men take leave for shorter periods than women. Generally, parents are more inclined to take parental leave for young children than for older children and the leave periods are longer in connection with leave to take care of young children.

Nearly, 1/4 of all women with children in the age group 0-2 years have taken up the possibility of taking parental leave.

Unemployed persons seem to be more likely to take parental leave than employed persons. 44 per cent of the persons taking parental leave during the period 1 January 1994 till 30 April 1995 had been unemployed prior to taking leave.

The average duration of the periods of parental leave started in the period 1 January 1994 till 30 April 1995 was about 8½ months. On average, the unemployed (and in particular the long-term unemployed) took longer periods of leave than employees, respectively, about 10 and 7½ months. When evaluating these figures it should be borne in mind that they mainly concern leave periods before the amendment of the Act by the end of 1994 which meant that the statutory right to leave was reduced from 26 to 13 weeks for children in the age group 1-8 years. The leave periods of employed persons were thus on average longer than the statutory period. The survey study of employed persons who had been on parental leave shows that about 3/4 of the leave periods had a longer duration than 6 months.

Membership of an unemployment insurance fund is not a condition for obtaining parental leave, but only about 10 per cent of those taking parental leave were not insured. About 3 per cent of all members of an unemployment insurance fund took parental leave in 1994. There are very big differences in the extent to which members of different unemployment insurance funds take parental leave. It is especially women who are members of unemployment insurance funds in the following occupational fields who take

parental leave: nurses, kindergarten and youth club teachers, public servants/tele-communication workers and social workers. More than half of the employed persons taking parental leave are employed in the public sector.

Unemployment for the 2 years preceding the parental leave period shows more or less the same pattern as for those taking training leave. Nearly half of the unemployed who take parental leave have been unemployed for more than 10 months during the last 2 years before the leave. Among the employed persons 4/5 have not been unemployed during the 2 years preceding the leave. This means again that a pattern forms of two very different groups of persons using this scheme.

The enterprises' characterisation of the persons taking leave. About 80 per cent of both public and private enterprises state that the persons who have had parental leave are employees which the enterprises want to maintain in their enterprise. More than 70 per cent characterize the employees as competent and motivated. It seems that the employees who take parental leave are generally appreciated by the enterprises and that they are generally employees with a very high degree of job security.

What are the motives for taking parental leave? The employees who have taken parental leave have been asked to state the role of a number of motives for their decision to take parental leave. The motive mentioned most frequently is the wish to spend more time with the child. More than 70 per cent stated that "it was better for the child to stay in the home". This motive is frequently mentioned when the child is under 1 year (nearly 90 per cent), less frequently when the child is in the age group 6-8 years (about 40 per cent). A small group (12 per cent) mentioned that the child had problems of some kind which made it necessary for the parent to take leave.

Only few (13 per cent) mentioned that they had no other possibilities for the child to be looked after. This "compulsion" motive was most frequently stated (20 per cent) in the case of quite young children (under one year). 15 per cent mentioned that their decision to take parental leave was also influenced by "the high price of public child care facilities".

Nearly 1/3 indicated as a contributory motive that they wanted "to get away from the labour market" for a while. This motive plays a bigger role, the older the child is. 14 per cent said that they would like to change jobs and they thought the parental leave could be used for that purpose. These data thus show that the wish "to get away" from the labour market plays a role for some of those taking parental leave. However, there is not necessarily any contradiction between such motives and the other motives stated.

As a whole, the information given by employed persons who have taken leave seem to indicate that parental leave is typically taken for the sake of the child and the family. In most cases it is not a possibility which is chosen because it is not possible to find other child care possibilities or because it is a cheaper solution. For a small group of persons the wish to get away from the work for a while also plays a role.

Costs and experienced benefits. The employed persons on leave who are covered by the present study are nearly all persons who took leave when the leave benefit amounted to 80 per cent of the maximum rate of unemployment benefit.

Only very few (4 per cent) stated that they received their full normal pay from their employer during the leave period and this means that nearly all have experienced a direct fall in their income during the leave period. The net loss of income is, however, partly off-set by saved expenditure on public child-care facilities and by the municipal supplementary subsidy which 60 per cent of those on leave had received (especially parents who took leave to take care of very young children). In this connection it should be noted that many municipal authorities are today more restrictive when it comes to granting such subsidies than they were at the time the study was carried out. Furthermore, the net loss of income also depends upon whether other children of the family have been taken out of public child care facilities.

80 per cent of the employees who had taken leave stated that they had, as a whole, suffered an economic loss by taking leave. For those who had suffered a loss, it amounted, on average, to DKK 22,000 or DKK 3,100 per month. As the question was specifically formulated as "the total loss" the figures express the reduced consumption possibilities in connection with the leave period. Of course, the loss will be higher, the higher the income the person

had before taking leave. Only few (13 per cent) try to compensate for the loss by overtime work performed by the spouse/cohabitee. About 1/3 of the persons on leave said expressly that they "had found it difficult to cope with the economic problems" during the leave period.

The great majority of the employees on leave have thus to some extent "paid for" the leave. But in return, they have - in their own words - derived many profits. The majority express great satisfaction with the leave period and nearly all would take leave again if they were given a new choice. Nearly all find that their family life became more relaxed and 87 per cent found that the child had a better life during the leave period. The benefits in connection with parental leave thus mainly lie in the family sphere.

Not surprisingly, the leave means for many persons (3/4) a changed division of work in the family; the person on leave becomes responsible for a bigger share of the household work. More than 40 per cent stated that the leave period had made it possible for them to take up activities which they had long wished to engage in. This was, in particular, the case of parents who took leave to take care of older children.

In principle, it could be imagined that parental leave could lead to poorer career prospects, because the employer might see the leave as a sign of according a lower priority to the work. However, only 1/10 stated that their career prospects had suffered. Very few (less than 4 per cent) stated that they had been dismissed because they took parental leave. On the other hand, 20 per cent stated that the leave period had made them appreciate their work more.

The information given by employed persons who have taken leave thus seems to clearly indicate that they have been very pleased with the scheme. Although we have no exact knowledge about it, it seems probable that the leave period may also have had a more long-term positive impact on the children.

The enterprises and parental leave. The parental leave scheme is to a very high degree an employee-oriented scheme and, in principle, the right to parental leave is an encroachment on the employer's prerogatives of control and management of the work.

In spite of this and of the fact that it is a rather new scheme, it seems to have been accepted by a great number of enterprises. A significant share of the leave periods (about 3/4 of those of employed persons) are longer than the duration of the statutory period. This means that today the parental leave scheme to a wide extent functions in practice as a scheme based on agreement between employers and employees.

Only about half of the private enterprises which have had one or several employees on parental leave agree, more or less, to the statement that the right to parental leave is a too big encroachment on the employer's right of control and management. The same applies to 30 per cent of enterprises in the public sector. Only 19 per cent of private enterprises and 6 per cent of public enterprises have decided not to conclude voluntary agreements on parental leave in the future.

The parental leave of an employee will often involve costs for the enterprises in some way or other. The enterprises may try to avoid such costs by not recruiting persons who are likely to make use of this scheme. 42 per cent of the enterprises in the private sector with less than 50 employees thus state that the right to parental leave means that they will, to some extent, be reluctant to recruit women with young children. The same applies to 21 per cent of the private enterprises with 50 or more employees, but to less than 10 per cent of the enterprises in the public sector. It is thus not possible to refute the argument that a benefit as parental leave which may involve costs for the enterprises may lead to a deterioration in employment opportunities in certain sectors on the labour market for those group who have a right to this benefit.

Several results of the study seem to show that public enterprises have a more positive attitude to parental leave than private enterprises. Furthermore, private enterprises tend to be more often characterised by a "traditional" sex role orientation. 38 per cent of the private enterprises state that, as a principle, they find it more reasonable for women than for men to take parental leave. The same applies to 12 per cent of the enterprises in the public sector. However, the replies of the enterprises seem to indicate that the gender plays a less important role in concrete situations where an employee wishes to take leave.

An employee who wants to take leave must often discuss this with his or her immediate superior. Information given by the persons on leave seems to suggest that male superiors look differently upon male and female employees' wish to take leave. They have a more negative attitude toward male employees. However, female superiors do not seem to discriminate male and female employees in this respect.

In principle, one could imagine that an employee-oriented scheme as the parental leave scheme could also have positive aspects from the point of view of the enterprises. If a period of leave leads to a better quality of life and the employee's family life is functioning better this could mean that they would be better employees for the enterprises. However, only a small share of the enterprises seem to be of this opinion: about 1/5 of the private enterprises, but twice as many public enterprises. In spite of this, a much bigger share of the enterprises are prepared to conclude voluntary agreements about parental leave, also in the future, as mentioned above. Parental leave extending beyond the statutory period may thus be seen as a sort of fringe benefit "given" by the enterprises to employees whom they wish to retain in the enterprise.

Recruitment of substitutes in connection training and parental leave.

In which cases is a substitute recruited?

The enterprises may choose to recruit a substitute to replace a person who takes leave. It has been examined to what extent such substitutes have been recruited.

The study shows that a substitute was recruited for the whole or part of the leave period in 63-73 per cent of the cases. In most cases the substitute was recruited for the entire leave period. The longer the leave period, the higher the likelihood of recruitment of a substitute. When this factor is taken into consideration, there seems to be no differences in the replacement rates in connection with, respectively, training leave and parental leave.

Substitutes are more frequently recruited by enterprises in the public sector than by enterprises in the private sector. It also turns out that it is most often small enterprises that recruit a

substitute. This is probably because it is easier for big enterprises to make staff reallocations than to recruit a substitute. Substitutes are recruited more often when women take leave than when men take leave.

What happens if no substitute is recruited? In those cases where no substitute is recruited, the enterprises and the persons on leave were asked how the work tasks had been performed during the leave period. In majority of cases the tasks of the person on leave had been taken over by colleagues. In some cases (more often in private than in public enterprises) the leave period was placed in "low season" periods so that there was not such a big need to recruit a replacement.

15 per cent of the enterprises state that no substitute was recruited because it was not possible to find a qualified candidate for the job. It seems to be difficult for some enterprises to find qualified replacement labour. 1/3 of the persons on training leave and 1/4 of the persons on parental leave had to accept that they could not obtain leave until a qualified substitute had been found.

Who are recruited as substitutes? A little less than 1/3 of the substitutes had already been recruited as substitutes in other parts of the enterprise. More than half of the substitutes seemed to be known by the enterprises in advance, either due to present or former employment or in other ways. Many of the substitutes, in particular in the public sector, seem to belong to a more or less permanent pool of temporary workers who work as substitutes in the enterprises.

About half of the substitutes had been unemployed before starting as substitutes, but the study seems to indicate that only a small share (less than 10 per cent of all substitutes) had been unemployed for more than 12 months. According to the enterprises rather few of the substitutes (14 per cent) are recruited through the public employment service. Furthermore, relatively few (16 per cent) are recruited with a public wage subsidy.

What happens to the substitutes when the leave is over? In half of the cases the enterprises find that the substitutes have more or less the same level of qualifications as the persons on leave. In the majority of the remaining cases the substitutes had poorer

qualifications - according to the enterprise. However, this does not necessarily mean that the substitutes were not sufficiently qualified, as the employees who take leave were - according to the enterprises - among the most competent employees.

The study also shows that most enterprises would like to continue to employ the substitutes, if it was possible. However, only between one third and half of the substitutes continue in the enterprise after the leave period. In some cases the substitute continues in another temporary job in the enterprise.

The municipal authorities and the parental leave scheme

The municipal authorities are involved in the parental leave schemes as they are in charge of the administration of child care facilities in the local community; children whose parents are on parental leave may temporarily take their children out of the kindergarten or other child care institution, or choose to have a part-time place during the leave. After the leave period the children will typically return to a full-time place in the institution. The municipalities have the possibility of granting parents on leave a supplementary subsidy to the parental leave benefit of up to DKK 35,000 per year.

Nearly half of the municipal authorities have waiting lists for child care institutions. With the parental leave it has become possible for the municipal authorities to reduce the demand for municipal child care facilities. This may, for instance, be done by means of:

* supplementary subsidies
* half-time places for children in the age group 3-8 years whose parents are on parental leave
* guarantee of a place on expiry of the leave period
* information to the citizens about the parental leave scheme.

The study shows that the municipal authorities have to a wide extent used these instruments in connection with the parental leave scheme. The reason why this may have the effect of reducing demand is that parents who are offered such "benefits" will presumably be more ready to take parental leave and this will reduce the total demand for child care facilities in the municipality.

Many municipalities (nearly 75 per cent) have at some tine or another used the possibility of granting *supplementary subsidies* to parents on parental leave. But this practice has been used less since the first half of 1994. In April 1995 it was only a little more than 1/3 of the municipalities which granted this subsidy and most often at a smaller amount and to a smaller target group, mainly children in the age group 0-2 years. Thus the average amount of the subsidy in 1995 was at a somewhat lower level than in 1994. In 1995 it was DKK 23,715 compared with DKK 28,811 in 1994. Only 11 per cent of the municipalities continued to give the same subsidy as they had done in April 1995.

Municipal authorities with long waiting lists for child care facilities seem to be more inclined than other municipalities to grant subsidies to parents who take parental leave. There are also regional differences: the longer the distance from the Copenhagen area, the fewer the municipalities which grant subsidies. Furthermore, it is more often municipalities with a socialist majority in the municipal council which grant subsidies than municipalities with a liberal or conservative majority.

There are several reasons which might explain why a growing number of municipalities choose not to grant these supplementary subsidies. 2/3 of the municipalities which have in 1995 chosen not to pay any subsidy or have reduced the amount of the subsidy state that the main reason is that the costs became too high due to the high take-up rate in connection with parental leave. For more than half of the municipalities it was also a contributing factor that it had turned out that this subsidy was not off-set by savings in the field of child care institutions. The study seems to indicate that these savings have probably not been realised because many of the children whose parents have taken leave have did not have a place in a public child care facility, because the parents had been on maternity leave and had thus taken care of the children themselves. Further, municipalities with long waiting lists have not experienced any savings in the field of child care institutions, but only a reduction of the waiting lists.

Children in the age group 3-8 years whose parents are on parental leave may use *a half-day place* during the leave. The number of half-time places may thus be assumed to have influenced the parents' decision to take parental leave in respect of a child in the age group 2-8 years. Every third municipality indicates that

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the parental leave scheme has led to an increased demand for half-time places for children whose parents have taken leave.

It turns out that every fifth municipality which did not already have half-time places have introduced such places because of the parental leave scheme. In addition about 10 per cent of the municipalities without half-time places are planning to introduce such places. As a result hereof more than half of all children in the age group 3-8 years were in the spring of 1995 living in a municipality with half-time places. In three out of four of these municipalities children whose parents take parental leave may be transferred from a full-time place to a part-time place in the same day care institution.

By guaranteeing children whose parents are on leave a place in a child care institution on expiry of the leave it is possible for the municipal authorities to encourage a greater number of parents to take leave and this will reduce the pressure on public child care facilities. The study shows than nine out of ten municipalities have a form of guarantee for children who had a place in a child care institution on the start of the leave period. Guarantee schemes for children who did not have a place in a child care institution when the leave started exist in six out of ten municipalities. In nearly half of the municipalities all children whose parents have taken leave are guaranteed a place in a municipal child care facility on expiry of the leave, irrespective of whether they had a place before the start of the leave or not. Only 8 per cent of the municipalities are without any form of guarantee scheme for children whose parents are on leave.

It is also possible that the *information activities* of the municipalities in relation to the citizens about the leave schemes may have contributed to the parents' decision to take leave. As could be expected, most of the municipalities (90 per cent) have provided oral information through the social service units, etc. Half of the municipalities have given information in local newspapers. One third of the municipalities have drawn up brochures and other information material which is available in libraries and other places. Some municipalities (12 per cent) have chosen to send brochures with information about the leave schemes to the parents. A little more than 25 per cent of the municipalities have chosen a broad approach in their information activities as they have used three or more of the above-mentioned information methods. Munici-

palities which also otherwise make use of demand-curbing instruments tend to have a more offensive information policy than other municipalities.

The study shows that *there is a certain connection between the municipalities' use of demand-curbing instruments and the inclination to take parental leave.* The results thus seem to indicate that the financial circumstances such as supplementary subsidies will often be a further incentive in connection with parents' decision to take leave. The use of the leave scheme per child in 1994 was significantly higher in municipalities which paid a subsidy than in those which did not; the number of persons taking leave seemed to be influenced also by the amount of the subsidy.

Child care factors in the form of half-time places for the 3-8 year-olds and guarantee schemes on expiry of the leave period also seem to contribute to the explanation of the number of persons taking leave. It also turns out that the extent of the demand for child care facilities before the introduction of the schemes contributes to explaining the inclination to take the leave in the municipalities. Finally, the number of persons taking leave also seems to be influenced by a geographical factor.

The results seem to indicate that the parental leave schemes has - as expected - led to a reduced demand for *municipal child care facilities.* Depending on the method of calculation, the need for municipal child care facilities is according to the study reduced by one place every time between 3 and 5 parents go on leave. It further appears that the majority of the municipalities are of the opinion that the parental leave scheme has had no influence on the waiting lists.

The explanation for this probably is that there has been an increased demand for child care facilities, so that the scheme has only meant that the waiting lists have not developed correspondingly. The limited effect of the schemes on the waiting lists is also due to the fact that the children continue to be listed on the waiting lists during the leave period.

According to the study the parental leave scheme seems to *have made the current planning work of the unit responsible for placements in child care facilities more difficult.* This is due partly to insufficient communication between parents and the municipal

authorities, problems with reintegration of children on the expiry of the leave and lack of knowledge about the return date.

Leave, unemployment and employment

After the introduction of the labour market reform in January 1994 the leave schemes have been used to an extent which makes it appropriate now to evaluate the impact of the schemes on the development in unemployment and employment. Pedersen (1996) presents an analysis of the immediate effects of the use of the leave schemes, as well as the more long-term effects which include both direct and indirect effects.

The immediate effect on registered unemployment depends on how the replacement rate in calculated. If we include all cases in which the enterprises state that the job of the person on leave has been taken over by a substitute, the average replacement rate may be calculated to be about 63. If we exclude substitutes who are already employed in the enterprise the total average replacement rate falls to about 55 per cent. If only unemployed substitutes are calculated, the replacement rate falls to about 33 per cent.

On the varying assumptions outlined above about the replacement rate, the immediate effect on registered unemployment may be calculated as a fall of between about 33,000 and 40,000 full-time persons in 1994 and between about 60,000 and 70,000 in 1995. Between 2/3 and 3/4 of this fall in unemployment is attributable to the fact that unemployed persons are reclassified as persons on leave. The leave schemes thus created between 8,400 and 15,700 job openings in 1994 and between 13,600 and 24,000 job openings in 1995. Due to the fact that substitutes are not recruited to fill all the vacancies arising in connection with the leave schemes, there is an immediate fall in employment of between about 5,000 and 12,800 in 1994 and between about 7,000 and 17,800 in 1995.

While the leave schemes lead to a significant immediate fall in registered unemployment, it is more difficult to calculate the long-term effects on unemployment and employment.

As regards *the supply of labour* the use of the leave schemes leads to a direct reduction of the labour force as persons on leave are

not available for work. If the leave schemes do not lead to an improvement in the structural problems on the labour market, this will in the long run lead to a fall in employment of the same dimensions as the fall in the supply of labour, so that the level of unemployment will in the long perspective be unaffected by the leave schemes.

The leave schemes will also influence *the demand for labour* as the costs of the enterprises for recruitment and training activities will be higher. It is not possible on the basis on the empirical data available to estimate the extent of recruitment and training costs, but an increase in costs will mean a fall in the demand for labour and thus in employment.

The impact of the leave schemes on the level of unemployment in the longer perspective will depend upon the impact on the structural problems on the labour market. The schemes have *negative as well as positive structural effects*. One of the positive effects is the job rotation effect which is a common feature of all the schemes and the up-grading of skills effect in connection with training leave.

The empirical analyses show that the *job rotation effect* is rather limited as only few job openings are filled with persons with a long preceding unemployment period. Only the sabbatical leave scheme - under which replacement with a long-time unemployed person is a statutory requirement - has a rather significant job rotation effect.

It is, therefore, important that the training courses taken in connection with training leave give the participants *job-specific qualifications* which will increase in the productivity of the labour force and the supply of labour in the relevant parts of the labour market. The study does not show directly whether this is actually the case, but a big share of the enterprises state that the training leave gives the employees relevant qualifications.

The *negative* impact of the leave schemes on the structural problems on the labour market is related to the so-called *mismatch problems*. The study shows that in the group of employed persons it is mainly core workers with no or only a short preceding unemployment period behind them who use the leave schemes. The majority of the substitutes who replace the persons on leave have no or only

short preceding periods of unemployment. Furthermore, the schemes are, in particular, used by members of unemployment insurance funds with a low level of unemployment. On this basis, the possibility cannot be excluded that the leave schemes aggravate the mismatch problems on the labour market.

If the three types of leave schemes are considered separately, the *training leave scheme* may contribute to a reduction in unemployment if the effect of up-grading of skills is sufficiently strong. The *sabbatical leave scheme* may also contribute to reducing the level of unemployment if the job rotation effect is sufficiently strong. However, *the parental leave scheme* clearly reduces employment and may in the longer perspective lead to an increase in unemployment through a higher rate of wage increases. In addition, this scheme could also lead to marginalisation of certain groups of unemployed persons. The parental leave scheme should therefore be seen mainly as a welfare promoting benefit. A benefit which gives more leisure time paid by means of a lower income. As such. it will of course be important to examine whether this type of welfare measure gives the optimum return in relation to the costs.

A calculation of the short-term and long-term macro-economic effects by means of the macro-economic model ADAM shows that an increase in the number of persons on leave of 10,000 persons will lead to a significant fall in unemployment during the initial period following the measure. During the first year, unemployment will fall by between 9,600 and 8,000 persons and 10 years after the fall is between 8,800 and 9,3000. It is only after 10 years that the effect on unemployment diminishes and in the 15th year it will be between 6,500 and 6,200 unemployed persons.

The effects in the ADAM-calculation are bigger and, in particular, of a more long-term nature than those which the Economic Council presented as the result of a similar calculation based on the SMEC-model. Both models show that the effect on employment of an increase in the number of persons take leave goes in the direction of zero in the long perspective. But it is still an open question how long time it takes before the effect on unemployment has completely disappeared.